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Inflation again? How to get ahead of client concerns this time around
By Amanda Chen
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Despite staying in check in May, some analysts are concerned that inflation may once again start to creep up again.

A cooling of inflation in recent months has put some investors at ease, but should the numbers start to rise again, financial advisors can prepare their investments and get ahead of client questions.

The Bureau of Labor Statistics announced that the consumer price index moderately rose to 2.4% in May compared to a year earlier, a 0.1% increase from April. The core personal consumption expenditures (PCE) index, which excludes food and energy prices, increased to 2.8% – a 0.3% rise from April and the biggest jump in four months.

Bloomberg economists say that while President Trump's tariffs are partly being passed on to consumers, deflation in areas like travel is helping to offset overall inflationary effects.

The 2025 Wells Fargo Midyear Outlook report anticipates that while tariffs will slow down U.S. economic growth, the economy will recover later this year from tax cuts, the Federal Reserve cutting rates, lower oil prices and wage increase. Analysts also advised long-term investors to buy more U.S.-based investments, specifically focusing on small and mid market buyout.

"Higher rates, slower economic growth, higher than average inflation and potentially lower profitability just due to the tariffs will continue to pressure many business fundamentals that have already seen some deterioration," Wells Fargo Global Alternative Investment Strategist Mark Steffen said.

At the end of last year, inflation had dropped significantly since the pandemic to 2.9%, but continued to remain above the Federal Reserve's target of 2%.

Thomas Murphy, the CEO of Murphy & Sylvest Wealth Management, said that because large-cap stocks have risen dramatically in recent years, his firm had adjusted clients' portfolios in the fall by diversifying into international and emerging market stocks — particularly in companies selling consumer goods — and individual bonds in a bond ladder.

He recommended advisors explain to clients the difference that tariffs have on the price of goods and overall inflation and set clear client expectations before working with them during volatility.

"You have to find out whether or not a new client thinks that our job is to get them into the market before it goes up and out of the market before it goes down," Murphy said. "Because if the client thinks that that's our job, we will fail."

Keith Fenstad, vice president and director of wealth planning at Tanglewood Total Wealth Management, said that advisors should reassure younger clients that fluctuating markets are a normal part of the process and that they should avoid making emotional investments based on different presidential terms.

"The best way to show someone young looking forward is to look backwards and say 'you know, every bear market has been recovered in history," Fenstad said. "It's just a matter of how long it takes, and your allocation will determine how deep those valleys are when the cycles are bad."

Ken Nuttall, the CIO at BlackDiamond Wealth, said advisors should invest client portfolios in short-term, high-quality products with Treasury Inflation-Protected Securities to mitigate inflation.

"If you ever get a real yield of TIPS that are over 2%, you should back the truck up," Nuttall said. "We're almost at 2.4, so it's well worth taking a look at that stuff."

For more advice on how to put your clients at ease during inflation, check out the stories below.

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